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Simpsons

Simpsons, Limited 1976 Annual Report

Simpsons, Limited

Directors

Jack C. Barrow
Thomas J. Bell, *M.C.*
Betty Kennedy Burton
Edgar G. Burton
G. Allan Burton, *D.S.O., E.D., LL.D.*
Charles L. Gundy, *LL.D.*
Alfred Powis, *LL.D.*
Elmer L. Rounding
J. Michael G. Scott
Ian D. Sinclair, *Q.C., LL.D.*
Charles B. Stewart
James M. Tory, *Q.C.*
William P. Wilder
A. Ernest Wilkes

Officers

G. Allan Burton, *D.S.O., E.D., LL.D.*, *Chairman of the Board and Chief Executive Officer*
Charles B. Stewart, *Deputy Chairman of the Board*
Edgar G. Burton, *President*
Charles L. Gundy, *LL.D.*, *Vice-President*
Ronald J. Crichton, *Vice-President, Operating*
J. Richard Davidson, *Vice-President, Planning and Development*
Kenneth W. Kernaghan, *Q.C.*, *Vice-President and Secretary*
Douglas R. Steele, *Vice-President, Merchandising*
A. Ernest Wilkes, *Vice-President, Finance*
Ian M. Gibson, *Treasurer*
Ronald L. Radley, *Q.C.*, *Assistant Secretary*

Head Office

The Simpson Tower,
401 Bay Street, Toronto, Ontario M5H 3K2

Transfer Agents

National Trust Company, Limited, *Toronto and Montreal*
Canada Permanent Trust Company,
Halifax, Winnipeg and Calgary
The Canada Trust Company, *Vancouver*

Registrars

The Royal Trust Company, *Toronto and Montreal*
Canada Permanent Trust Company,
Halifax, Winnipeg and Calgary
The Canada Trust Company, *Vancouver*

Highlights

	1976	1975
Net sales	\$605,297,000	\$547,940,000
Earnings from operations	10,341,000	9,999,000
Equity in net earnings of Simpsons-Sears Limited and shopping centre companies, net of attributable interest	11,860,000	12,191,000
Net earnings	22,201,000	22,190,000
Per share	47.3¢	47.3¢
Dividends paid	10,333,000	10,096,000
Per share	22.0¢	21.5¢
Shareholders' equity	277,836,000	265,473,000
Per share	5.92	5.65
Contributions to employee retirement plans	7,085,000	4,744,000
Expenditures for fixed assets including departmental improvements	10,157,000	10,806,000
Provision for depreciation	5,486,000	5,176,000
Write-off on departmental improvements	4,456,000	4,078,000

Earnings per share are based on weighted average number of shares outstanding during the year.



It's Simpsons...with a Difference

Renewal is constant at Simpsons, where ever-changing presentations combine with fashion leadership to remain always a step ahead.

Current project is Simpsons Toronto Downtown, which encompasses the site occupied for all but the first nine of the great store's 104 years.

The splendid new Avon Galleries, devoted to home furnishing in its finest expression, is now "at home" to an admiring clientele for superb furniture, professional interior decorating service, and a collectors' trove of antiques within Treasure House, through Simpsons membership in the Canadian Antique Dealers Association.

Silverware representing the craftsmanship of many lands is exhibited in the expanded and dramatically restructured department invitingly located on the Street Floor.

Simpsons Store for Men has already attracted a growing following within West End, for distinguished apparel and footwear, and the refurbished clothing and furnishings areas, all fronting on Bay Street.



Directors' Report to the Shareholders:

1976 was a most uncertain year for retailing generally, a fact that was registered in the price of retailers' shares on the stock exchanges throughout the year. From the beginning it was obvious that the economy was not going to live up to its earlier predictions. Inflation was growing at such a rate that those advances most businesses made were to a large degree illusory, for expenses were growing at a faster rate than the real business growth and large taxes were being paid on profits that reflected a much inflated dollar.

Simpsons was no exception. It was obvious early in the year that strict expense control must be instituted immediately and only committed expansion plans be undertaken in order to conserve a strong financial position when interest rates were reaching all time highs and financial markets were in a confused and cautious state.

This was done. However, the new Employee Pension and Profit Sharing Stock Purchase Plans were proceeded with at the beginning of the year and cost the Company operations two million dollars this past year. The Pension Plan is among the best in our industry.

Sales volume increased 10.5% in the fiscal year ended January 5, 1977 and earnings from operations increased 3.4% to \$10,341,000. Including our equity in undistributed net earnings of Simpsons-Sears Limited and shopping centre companies, our total net earnings for 1976 amounted to \$22,201,000 versus \$22,190,000 last year or 47.3 cents per share in both years.

While our long term debt decreased during the year under review, total assets increased to \$599,233,000 and shareholders' equity increased to \$277,836,000.

Dividends of \$10,333,000, or 22 cents per share, were paid on nearly 47 million shares to our over 16,000 shareholders.

Simpsons-Sears Limited

Simpsons-Sears is our most important investment and that company, in which we maintain equal ownership with Sears,

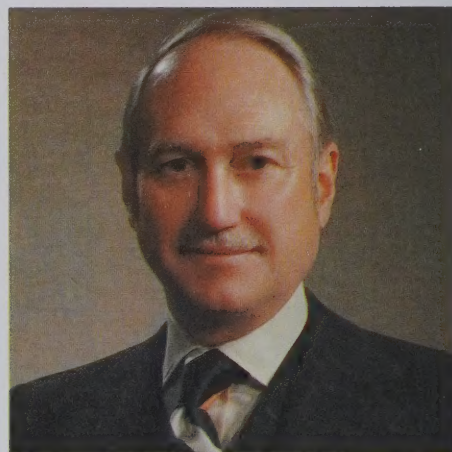
Roebuck and Co. of Chicago, U.S.A., had unusual challenges and opportunities with the sudden closing of the huge mail order division of our chief competitor. It is to the credit of Simpsons-Sears that the large volume of extra business and thousands of new customers were served smoothly and well with the available facilities. Their 59 retail stores, 4 catalogue centres and 717 catalogue offices produced one billion, nine hundred million dollars in sales, and over thirty-three million in earnings. Simpsons-Sears is part of Simpsons country-wide strategy. Our combined sales in 1976 amounted to nearly two and one-half billion dollars, making the aggregate retail business one of the largest in Canada.

We have proven conclusively during the year that both a Simpsons and a Sears store can be viable units of the same shopping centre and that our thousands of customers are better served by the services which both offer our communities.

New Developments

We increased our equity in Micmac Mall in Dartmouth, Nova Scotia, to an equal 50% with the developer by jointly buying our third partner's share. We sold on a very favourable basis our 10% equity in Scarborough Town Centre to the developer who wished to acquire 100% ownership of the Centre. During the year Les Galeries d'Anjou in Montreal, owned 50% by Simpsons, was enlarged by the addition of a new large Sears store. Our Simpsons store was freshened up and benefiting from the extra traffic has produced a sizeable increase in sales over the previous year. Our Fairview-Pointe Claire store in Montreal was enlarged by the addition of an entire new floor of 60,000 square feet, bringing that store to a total of 180,000 gross square feet. Each of the other floors underwent extensive modernization. Our business has increased rapidly, justifying the additional space.

To anticipate the competition and take advantage of the additional traffic the new Eaton Centre will bring to downtown



G. Allan Burton, Chairman of the Board

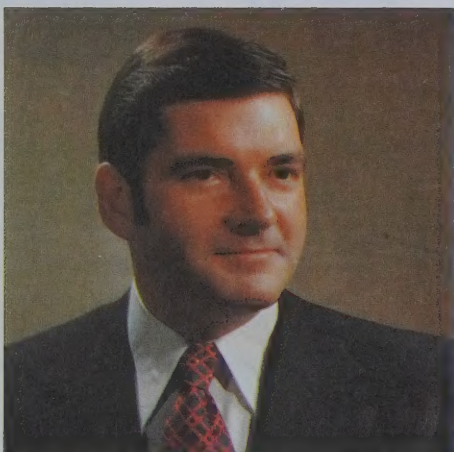
Toronto, and as the beginning of a six million dollar face lift and refurbishing of our largest store, we completed an entirely new Store for Men and a new Sporting Goods Department in 1976. Other major portions of the downtown Toronto store will be renovated leading up to the 1979 opening of the Skywalk, joining our second floor to the extension of the Mall of the new Eaton Centre.

We have extensive plans for major refurbishing of the Toronto Yorkdale store and downtown Montreal store in 1977 and 1978.

Capital expenditures in 1977 will be about \$14,500,000, which will include the projects mentioned above, the start of a new 135,000 square foot store in St. Bruno on the south shore of Montreal, and a new store in the St. Laurent Shopping Centre in Ottawa subject to the Municipal Board approval. Our programme of keeping our existing stores continually updated will occupy the remainder of our allotted resources.

Quebec

The political situation in the Province of Quebec deserves special mention because an important amount of our total business is done in that Province. In fact, approximately 25% of the total Gross



Edgar G. Burton, President

National Product of Canada is produced in that Province so its future is vital to the economic health of the country as a whole.

Simpsons position is simply that first and foremost we are merchants and we will serve our customers to the best of our ability as long as we are allowed a reasonable return for our efforts. We believe that we can adapt to most regulations as long as a spirit of co-operation exists to allow a healthy business to flourish as a profitable concern and a good corporate citizen of the community it serves. We are optimistic that good sense will prevail on all sides in the long term.

Long-Range Planning Group

A Long-Range Planning Group has been set up to do the most extensive in-depth study and examination ever undertaken by our Company. It will produce a report by January 1978, covering anticipated demographic, financial and business changes and opportunities through the decade of the 1980's, affecting Simpsons, Limited as a company. It will also produce a suggested organization by region and a training plan to cope with anticipated growth. It will provide complete computer programmes as a base for future planning as conditions change.

Charles B. Stewart, Deputy Chairman, is in charge of this project assisted by the

Project Co-ordinator, Professor J.N. Fry, of the School of Business Administration of the University of Western Ontario. It is estimated the cost of this project will be under \$100,000, or less than \$10,000 per year under review.

Computer Programmes and Merchandise Management Systems

We are proceeding with a computerized Merchandise Management System which to our knowledge when completed by 1980 will be the most comprehensive on the continent. This on-line computerized inventory control audit and re-order system will be installed on a continuing basis by category and store. It will also entail centralized distribution systems, much of which are already incorporated in our new Metropolitan Road Service Building, opened in Toronto late in 1975.

Social Responsibility Committee

A new committee of the Board of Directors has been set up, known as the Social Responsibility Committee, and chaired by a member of the Board. Its purpose is to review, analyze and advise the Board on the changing social priorities in the communities in which we operate, and to suggest the appropriate allocation of Company support to each segment, so that we, as a corporation, can continue to fulfil a vital role as a good corporate citizen in the community. Simpsons men and women have a long tradition of public service in social and cultural organizations and it is good business to support their efforts.

Executive Appointments

On June 18, 1976 Edgar G. Burton, formerly Vice-President, Corporate Affairs, was appointed President of the Company. His wide and varied service for over twenty-one years with Simpsons qualified him for the position of chief administrative officer.

Charles B. Stewart, formerly President, having reached the regular retirement age in 1976, was appointed Deputy Chairman of the Board and agreed to head up the special Long-Range Planning Group. Elmer L. Rounding, Vice-President, Planning

and Development, retired from the Company after forty-three years service but will allow his name to stand for re-election to the Board of Directors. J. Richard Davidson, formerly General Manager, Research and Planning, was appointed Vice-President, Planning and Development.

Staff

We cannot praise the efforts of our management and staff too highly in their efforts to serve our customers better than anyone else and for their dedication and loyalty to the Company in a very highly competitive and exacting year.

Anti-Inflation Board

The Anti-Inflation regulations and reporting have undoubtedly cost the Company several hundred thousands of dollars. We have attempted to meet the letter and intent of the regulations in all things. We hope that controls and restrictions can be removed speedily, returning to a healthy business climate freed to a large extent from inflation.

Forecast

We expect that 1977, with all its potential problems, will be a better business year than has been predicted to date. Some government tax relief or business incentive is indicated. The lower value of the Canadian dollar will improve tourist trade and it is possible that consumer confidence will improve as controls are removed or relaxed. Our stores and staff will be in excellent condition to capitalize on any improved business cycle.

On behalf of the Board

Chairman of the Board and Chief Executive Officer

President

March 18, 1977

Consolidated Balance Sheet

Assets	January 5, 1977	January 7, 1976
Current Assets:		
Cash	\$ 119,000	\$ 4,950,000
Accounts receivable (Note 2)	178,499,000	154,539,000
Inventories	97,425,000	85,106,000
Prepaid expenses	5,367,000	4,634,000
	<u>281,410,000</u>	<u>249,229,000</u>
Investments and Other Assets:		
Simpsons-Sears Limited (Note 3)	150,341,000	143,648,000
Other investments and advances (Note 5)	14,315,000	15,548,000
Loans to a Trustee under Employees' Stock Purchase Plan (Note 8)	4,052,000	4,059,000
Accounts receivable (Note 2)	701,000	1,420,000
	<u>169,409,000</u>	<u>164,675,000</u>
Fixed Assets:		
Land and buildings	132,455,000	130,795,000
Equipment and fixtures	49,482,000	47,513,000
	<u>181,937,000</u>	<u>178,308,000</u>
Less accumulated depreciation	55,771,000	50,767,000
	<u>126,166,000</u>	<u>127,541,000</u>
Departmental improvements, less amounts written off	20,824,000	19,289,000
	<u>146,990,000</u>	<u>146,830,000</u>
Unamortized Debenture Discount and Expense	<u>1,424,000</u>	<u>1,551,000</u>
	<u>\$599,233,000</u>	<u>\$562,285,000</u>

Liabilities**January 5, 1977****January 7, 1976****Current Liabilities:**

Demand and short term notes (Note 6)	\$ 62,561,000	\$ 40,380,000
Accounts payable	46,833,000	44,209,000
Accrued wages, rent, interest, etc.	15,691,000	15,163,000
Customers' deposit accounts	909,000	954,000
Income and other taxes	7,477,000	5,409,000
Principal payments on long term debt due within one year (Note 7)	294,000	91,000
	<u>133,765,000</u>	<u>106,206,000</u>

Long Term Debt (Note 7)**174,822,000****177,075,000****Deferred Income Taxes****12,810,000****13,531,000****321,397,000****296,812,000****Shareholders' Equity****Capital Stock:**

Common shares (Note 8)

Authorized - 60,000,000 shares without nominal or par value

Issued - 46,968,239 shares (January 7, 1976 - 46,967,288 shares)

36,532,000**36,526,000****Retained Earnings****224,449,000****212,092,000****Appraised Value of Land and Buildings in Excess of
Depreciated Book Value on July 31, 1952****16,855,000****16,855,000****277,836,000****265,473,000****\$599,233,000****\$562,285,000**

Approved by the Board of Directors:

G. A. Burton, Director

C. L. Gundy, Director

Consolidated Statement of Earnings

	Fiscal year ended January 5, 1977	Fiscal year ended January 7, 1976
Net sales	\$605,297,000	\$547,940,000
Rentals and other income	4,026,000	3,426,000
	<u>609,323,000</u>	<u>551,366,000</u>
Deduct:		
Cost of merchandise sold and selling and administrative expenses	565,705,000	510,265,000
Provision for depreciation	5,486,000	5,176,000
Write-off on departmental improvements	4,456,000	4,078,000
Interest expense (Note 4)	14,185,000	11,957,000
	<u>589,832,000</u>	<u>531,476,000</u>
Earnings from operations before income taxes	19,491,000	19,890,000
Provision for income taxes	9,150,000	9,891,000
Earnings from operations	<u>10,341,000</u>	<u>9,999,000</u>
Equity in net earnings of other companies:		
Simpsons-Sears Limited (dividends received 1976-\$7,392,000; 1975-\$6,748,000)	13,596,000	13,211,000
Shopping centre companies (dividends received 1976-\$1,450,000; 1975-\$525,000)	1,108,000	638,000
Interest attributable to investments in these companies, net of income taxes 1976-\$2,625,000; 1975-\$1,666,000 (Note 4)	(2,844,000)	(1,658,000)
	<u>11,860,000</u>	<u>12,191,000</u>
Net earnings for the fiscal year	\$ 22,201,000	\$ 22,190,000
Net earnings per share	47.3¢	47.3¢

Consolidated Statement of Retained Earnings

Balance at beginning of year	\$212,092,000	\$199,368,000
Net earnings for the fiscal year	22,201,000	22,190,000
Increase in equity in Simpsons-Sears Limited on issue by that company of additional Class A shares (Note 3)	489,000	630,000
	<u>234,782,000</u>	<u>222,188,000</u>
Dividends on common shares (1976-22.0 cents per share; 1975-21.5 cents per share)	10,333,000	10,096,000
Balance at end of year	<u>\$224,449,000</u>	<u>\$212,092,000</u>

Consolidated Statement of Changes in Financial Position

	Fiscal year ended January 5, 1977	Fiscal year ended January 7, 1976
Sources of Working Capital:		
Net earnings	\$ 22,201,000	\$ 22,190,000
Non-cash charges deducted (added) in arriving at earnings:		
Provision for depreciation and write-off on departmental improvements	9,942,000	9,253,000
Deferred income taxes	(721,000)	1,238,000
Gain on retirement of long term debt	(373,000)	(297,000)
Other	254,000	242,000
Equity in undistributed net earnings of Simpsons-Sears Limited and shopping centre companies	(5,862,000)	(6,575,000)
Funds provided from operations	25,441,000	26,051,000
Decrease in other investments and advances	1,238,000	—
Decrease in non-current accounts receivable	719,000	7,000
Proceeds from issue of common shares (Note 8)	6,000	118,000
Decrease in loans to a Trustee under Employees' Stock Purchase Plan (Note 8)	7,000	44,000
Disposals of fixed assets	45,000	356,000
Proceeds from sale of debentures	—	24,868,000
	<u>27,456,000</u>	<u>51,444,000</u>
Applications of Working Capital:		
Additions to fixed assets	4,166,000	6,363,000
Expenditures on departmental improvements	5,991,000	4,443,000
Additional investment in Simpsons-Sears Limited shares	—	23,800,000
Increase in other investments and advances	464,000	3,064,000
Retirement of long term debt	1,880,000	1,780,000
Dividends on common shares	10,333,000	10,096,000
	<u>22,834,000</u>	<u>49,546,000</u>
Resulting in an increase in working capital of	\$ 4,622,000	\$ 1,898,000
Working capital at end of year	<u>\$147,645,000</u>	<u>\$143,023,000</u>

Notes to Consolidated Financial Statements

1. Summary of Accounting Policies:

Principles of consolidation: The consolidated financial statements include the accounts of Simpsons, Limited and all subsidiary companies.

Inventories: Inventories are valued at the lower of approximate cost and realizable value. Cost is determined for retail store inventories on a first-in, first-out basis applied by the retail inventory method, and for supplies and miscellaneous inventories on a first-in, first-out or average cost basis applied by individual items.

Investments: The investment in Simpsons-Sears Limited is carried at cost plus equity in undistributed net earnings. The equity method of accounting has also been applied to 25% to 50% ownership interests in shopping centre companies. Other investments are carried at cost.

Fixed assets: Fixed assets are stated at cost except for land and buildings included at 1952 appraised values of \$34,920,000. Depreciation provided on the buildings has reduced the net depreciated book value of the appraised land and buildings to \$23,340,000 at January 5, 1977.

Depreciation provisions are computed by the straight-line method at rates based on the estimated useful lives of the depreciable assets. Departmental improvements are written off over their estimated useful lives.

Unamortized debenture discount and expense: Debenture discount and expense are amortized by the reducing balance method or by the straight-line method, as applicable, to the due dates of the respective debentures.

Profits on instalment sales: Profits on instalment sales are taken into earnings at the time of sale. The service charges are taken into earnings, and included in net sales, as earned.

Income taxes: Income taxes are accounted for on the tax allocation method whereby income taxes are fully provided on reported earnings at current tax rates.

2. Accounts Receivable:

	January 5, 1977	January 7, 1976
Customer instalment accounts	\$147,384,000	\$126,251,000
Charge and other customer accounts	35,266,000	33,648,000
Miscellaneous accounts	3,350,000	2,396,000
	186,000,000	162,295,000
Less allowance for doubtful accounts	6,800,000	6,336,000
	179,200,000	155,959,000
Non-current accounts receivable	701,000	1,420,000
	<u>\$178,499,000</u>	<u>\$154,539,000</u>

In accordance with recognized trade practices, instalment accounts receivable include amounts which will not become due within one year. However, other accounts receivable not expected to be collected within one year, arising from large scale contracts of the Contract Division, have been classified as non-current accounts receivable. For the most part the Contract Division is engaged in furnishing and equipping institutional and commercial premises.

3. Simpsons-Sears Limited:

The investment in Simpson-Sears Limited, representing 41.0% of the outstanding shares of that company, is carried at cost plus equity in undistributed net earnings. Simpsons, Limited equity in net earnings of Simpsons-Sears Limited for each fiscal year is included in the earnings of Simpsons, Limited for the corresponding fiscal year. See page 15 for summarized financial information on Simpsons-Sears Limited.

Simpsons, Limited and Sears, Roebuck and Co., each owns an equal number of the voting shares of Simpsons-Sears Limited while the non-voting Class A shares are owned by other shareholders. The issue of additional Class A shares by Simpsons-Sears Limited at an amount per share in excess of book value increases Simpsons, Limited equity in Simpsons-Sears Limited. Such increases are credited to retained earnings.

4. Interest Expense:

Interest expense charged to operations has been determined as follows:	Fiscal year ended January 5, 1977	January 7, 1976
Interest on long term debt, including amortization of discount and expense	\$14,156,000	\$11,895,000
Other interest	5,498,000	3,386,000
	19,654,000	15,281,000
Less interest attributable to investments in Simpsons-Sears Limited and shopping centre companies	5,469,000	3,324,000
	<u>\$14,185,000</u>	<u>\$11,957,000</u>

The interest attributable to investments in Simpsons-Sears Limited and shopping centre companies, calculated by applying Simpsons, Limited average borrowing rate to the cost of the investments, is presented separately in the consolidated statement of earnings, net of income taxes, as a deduction from the equity in the earnings of these companies.

5. Other Investments and Advances:

	January 5, 1977	January 7, 1976
Shares in public companies (quoted market value January 5, 1977—\$2,030,000; January 7, 1976—\$2,529,000)	\$ 1,974,000	\$ 1,974,000
Shares in and advances to shopping centre companies	4,134,000	5,370,000
Long term prepaid rent	3,601,000	4,042,000
Miscellaneous	4,606,000	4,162,000
	<u>\$14,315,000</u>	<u>\$15,548,000</u>

6. Demand and Short Term Notes:

These notes include demand notes of \$22,670,000 at January 5, 1977 (\$34,560,000 at January 7, 1976) payable to banks.

7. Long Term Debt:

	January 5, 1977	January 7, 1976
Simpsons, Limited Debentures—		
5 % Series B due December 1, 1976	\$ —	\$ 91,000
5½% Series C due September 15, 1979	76,000	76,000
5¾% Series D due February 1, 1984	8,000,000	8,495,000
5¾% Series E due July 15, 1985	9,996,000	10,609,000
6½% Series F due March 15, 1987	9,757,000	10,472,000
9½% Series G due December 15, 1989	12,287,000	12,423,000
8¾% Series H due June 1, 1993	25,000,000	25,000,000
9½% Series I due February 15, 1994	15,000,000	15,000,000
11¾% Series J due November 15, 1995	25,000,000	25,000,000
	105,116,000	107,166,000
Less principal payments due within one year	294,000	91,000
	<u>104,822,000</u>	<u>107,075,000</u>
Simpsons Acceptance Company Limited Secured Debentures—		
6 % Series B due May 15, 1981	15,000,000	15,000,000
5½% Series C due June 15, 1982	10,000,000	10,000,000
5¾% Series D due April 1, 1984	10,000,000	10,000,000
6¾% Series E due June 15, 1986	10,000,000	10,000,000
8¾% Series F due March 15, 1992	10,000,000	10,000,000
8¾% Series G due December 15, 1992	15,000,000	15,000,000
	70,000,000	70,000,000
	<u>\$174,822,000</u>	<u>\$177,075,000</u>

Principal payments required subsequent to January 5, 1977 for the fiscal years shown are as follows: 1977—\$294,000; 1978—\$3,871,000; 1979—\$7,276,000; 1980—\$7,200,000; 1981—\$22,450,000.

8. Capital Stock:

Under the terms of the Employees' Stock Option Plan 951 common shares were issued during the fiscal year ended January 5, 1977 for \$6,000. The Employees' Stock Option Plan provides that the option price shall be the market price of the shares on the day immediately preceding the date of grant and that the options may not be exercised later than ten years from date of grant.

Outstanding options at January 5, 1977 were as follows:

Date options granted	Option price per share	Officer directors and other officers	Other employees	Total
January 1969	\$5.54	—	45,751	45,751
February 1971	6.21	25,800	—	25,800
		<u>25,800</u>	<u>45,751</u>	<u>71,551</u>

On January 19, 1973 the Board of Directors authorized a Stock Purchase Plan under which Simpsons, Limited made interest-free loans to a Trustee which in turn made interest-free loans to employees to enable them to purchase shares, and to repay loans arranged subsequent to June 1971 for the purchase of shares, under the Employees' Stock Option Plan. Such loans to employees are repayable on or before January 2, 1979 and are secured by deposit with the Trustee of shares of Simpsons, Limited having a market value at the date the optioned shares were purchased equivalent to 133⅓% of each loan.

9. Pension and Profit Sharing Plans:

Effective January 1, 1976 Simpsons, Limited introduced a contributory pension plan providing improved benefits to employees. The plan replaced the previous non-contributory pension plan. Concurrently with the adoption of the plan, no further contributions were made to the Profit Sharing Retirement Fund.

Contributions by the companies to employee retirement income plans, including the Canada and Quebec pension plans, were: 1976—\$7,085,000; 1975—\$4,744,000.

The unfunded obligation for past service under the contributory pension plan, estimated by independent actuaries to be approximately \$35,538,000 at January 5, 1977, is being amortized by annual payments through 1990.

A new voluntary contributory Profit Sharing Stock Purchase Plan was also established effective from January 8, 1976. Each year Simpsons, Limited will contribute 2½% of consolidated earnings, as defined, up to a maximum equal to the total contributions of the members. All contributions will be invested in shares of Simpsons, Limited. For the year ended January 5, 1977 the company contributed \$613,000 to the plan.

Notes to Consolidated Financial Statements

10. Commitments and Contingent Liabilities:

- (a) Annual rentals and other commitments under long term leases and operating agreements amount to approximately \$5,100,000.
- (b) Simpsons, Limited has guaranteed \$1,450,000 of a note payable by Les Galeries d'Anjou Limitée, a 50% owned shopping centre company. An equal amount of the note payable has been guaranteed by the other 50% owner of the company.
- (c) Simpsons, Limited and Hudson's Bay Company, part owners of Woodbine-Sheppard Shopping Centre Limited, have jointly and severally agreed to meet all payments of interest and principal on its \$16,900,000 principal amount of Bonds. Cemp Investments Ltd., the other part owner of the company, has agreed to make available 50% of all funds which Simpsons, Limited and Hudson's Bay Company may be called upon to provide under their agreements.

11. Capital Expenditures:

Capital expenditures during the fiscal year ending January 4, 1978 are estimated at \$14,500,000 for the completion of construction in progress and other authorized and proposed additions to fixed assets.

12. Remuneration of Directors and Officers:

For the fiscal year ended January 5, 1977 the fourteen directors and one past director received aggregate remuneration as directors of \$50,000 (1975—fourteen directors and one past director, \$50,000). The aggregate remuneration of the ten officers and five past officers was \$1,324,000 (1975—eleven officers and three past officers, \$1,166,000). Six officers, including two past officers who also served as directors, received no remuneration as directors. The total remuneration of directors and officers is paid by The Robert Simpson Company Limited, a subsidiary of Simpsons, Limited, and partly distributed to other operating subsidiaries.

13. Anti-Inflation Programme:

The Federal Government, under the Anti-Inflation Programme, has imposed restrictions on profit margins, prices, compensation and dividends. In the opinion of management Simpsons, Limited and its subsidiaries have complied with the provisions of the Legislation.

Auditors' Report:

To the Shareholders of
Simpsons, Limited:

We have examined the consolidated balance sheet of Simpsons, Limited and subsidiary companies as at January 5, 1977 and the consolidated statements of earnings, retained earnings and changes in financial position for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at January 5, 1977 and the results of their operations and the changes in their financial position for the fiscal year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.
Chartered Accountants
Toronto, March 15, 1977

104 years old...as new as tomorrow!

Simpsons flagship store in Toronto was in the forefront of architectural achievement when it was completed before the turn of the century. That superiority is now being documented with the designation of the original building, with its graceful arches, carved stonework and etched glass, as an historic monument by the Toronto Historical Board.

Restoration and improvements in keeping with the venerable structure are here envisioned by the architects. Tomorrow touches are the attractive, welcoming entrances at the important Queen-Yonge corner, and the skywalk across Queen Street, linking Simpsons to the major development already taking shape to the north, along Yonge Street.

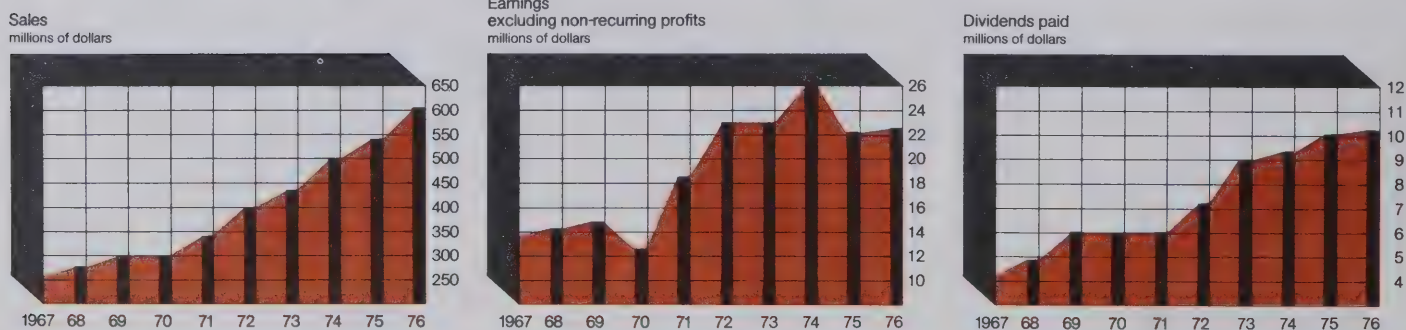
Old on the outside, new on the inside, Simpsons leads in old-fashioned courtesy, to serve, and in modern facilities to please, customers. Here, the traditional "values" are always up to date.

SIMPSONS...among the truly great stores of the world



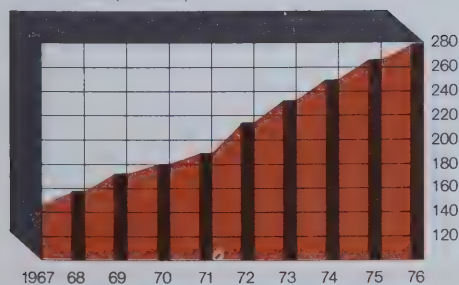
Ten Years in Review

	1976	1975
Operating Results (in thousands)		
Net sales	\$ 605,297	\$547,940
Provision for depreciation	5,486	5,176
Write-off on departmental improvements	4,456	4,078
Interest expense	14,185	11,957
Income taxes	9,150	9,891
Earnings from operations	10,341	9,999
Dividends from Simpsons-Sears Limited	7,392	6,748
Equity in undistributed net earnings of Simpsons-Sears Limited	6,204	6,463
Equity in net earnings of shopping centre companies	1,108	638
Interest attributable to investments in Simpsons-Sears Limited and shopping centre companies, net of income taxes	2,844	1,658
Net earnings	22,201	22,190
Dividends paid	10,333	10,096
Financial Position (in thousands)		
Working capital	147,645	143,023
Land, buildings and equipment (after depreciation)	126,166	127,541
Total assets	599,233	562,285
Long term debt	174,822	177,075
Shareholders' equity	277,836	265,473
Per Common Share (adjusted for stock splits)		
Net earnings per share (in cents)	47.3	47.3
Dividends paid per share (in cents)	22.0	21.5
Ratios and Statistics		
Ratio of current assets to current liabilities	2.1-1	2.3-1
Number of shares issued	46,968,239	46,967,288
Number of shareholders	16,104	15,255
Approximate price range per common share	8 $\frac{1}{8}$ -4.85	9 $\frac{1}{8}$ -6 $\frac{1}{2}$
*Excluding non-recurring profit	†53 weeks	

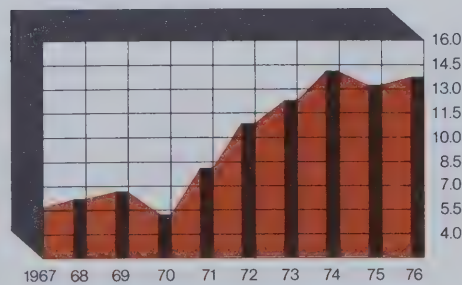


1974†	1973	1972	1971	1970	1969	1968†	1967
\$494,920	\$436,044	\$392,889	\$335,197	\$302,535	\$300,579	\$276,303	\$259,446
4,550	4,075	3,873	3,723	3,336	3,081	2,599	2,331
3,689	3,253	2,970	2,845	2,375	2,169	1,865	1,823
10,595	8,416	6,412	5,798	5,726	5,385	5,013	4,908
13,442	11,815	11,840	9,782	9,364	10,489	9,951	9,339
12,461	11,846	13,057	10,014	8,154	8,960	8,598	8,680
6,020	5,034	3,293	3,168	3,168	3,036	2,574	2,088
8,207	7,511	7,829	5,082	2,189	3,728	3,636	3,457
927	566	510	806	128	44	104	101
1,498	1,382	1,072	863	835	802	773	639
26,117*	23,574	23,617*	18,207	12,803	14,966*	14,139*	13,686*
9,388	8,970	7,292	6,106	6,095	6,041	4,802	4,471
141,125	133,954	115,184	102,911	104,948	111,606	93,940	94,237
126,710	112,336	104,884	97,932	97,031	89,364	86,745	80,046
517,112	460,249	417,583	358,163	336,124	323,781	310,855	285,956
154,152	141,606	118,487	95,084	102,496	105,456	94,108	95,874
252,631	234,305	214,393	192,948	179,426	171,623	159,334	145,631
55.6*	50.5	51.3*	40.1	28.0	33.1*	31.4*	30.6*
20.0	19.2	15.8	13.3	13.3	13.3	10.7	10.0
2.4-1	2.8-1	2.5-1	2.7-1	3.3-1	3.8-1	2.8-1	3.3-1
46,942,850	46,938,619	46,156,233	45,931,119	45,726,450	45,679,458	45,082,728	44,949,012
15,344	14,546	11,553	10,995	10,887	10,426	8,829	8,862
9¼-5¼	11⅞-7½	10⅜-7½	7½-5⅞	7⅛-4½	7¾-5½	6¾-5	6-4¼

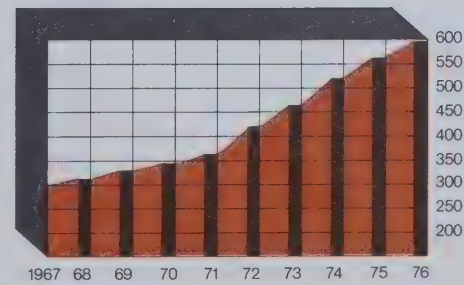
Shareholders' Equity
millions of dollars (book value)



Equity in net earnings
of Simpsons-Sears Limited
millions of dollars



Total assets
millions of dollars



Investment in Simpsons-Sears Limited

The total amount invested by Simpsons in Simpsons-Sears since the formation of that company in 1952 amounts to \$64,350,800 including the additional amount of \$23,800,000 invested in the latter part of 1975. Dividends received by Simpsons during 1976 of \$7,392,000 represent a return of 11.5% on that investment. To the end of 1976 Simpsons has received from Simpsons-Sears cash dividends of \$51,321,000 and has an equity of \$85,990,000 in its undistributed earnings for a total of \$137,311,000.

The book value of Simpsons investment in Simpsons-Sears represents a value to a Simpsons shareholder of \$3.21 per share.



Simpsons-Sears Headquarters Building
222 Jarvis Street, Toronto, Canada.

Retail stores by provinces

Ontario	23
British Columbia	11
Quebec	10
Alberta	6
Saskatchewan	3
New Brunswick	3
Manitoba	2
Newfoundland	1
Retail Stores	59
Catalogue Centres	4
Catalogue Sales Offices	717

A copy of Simpsons-Sears Limited Annual Report for 1976 may be obtained by writing to the Secretary of Simpsons, Limited.

Highlights

Operating Results for the Fiscal Year

	1976	1975
Net sales, including rentals and other income	\$1,894,222,000	\$1,551,482,000
Cost and expenses	1,837,168,000	1,493,088,000
Earnings before income taxes	57,054,000	58,394,000
Provision for income taxes	26,906,000	28,993,000
Earnings from operations	30,148,000	29,401,000
Equity in earnings of associated companies	3,026,000	2,717,000
Net earnings	\$ 33,174,000	\$ 32,118,000
Per share	44¢	47¢
Simpsons equity in earnings	\$ 13,596,000	\$ 13,211,000
Simpsons share of dividends paid	\$ 7,392,000	\$ 6,748,000

Financial Position at Fiscal Year-End

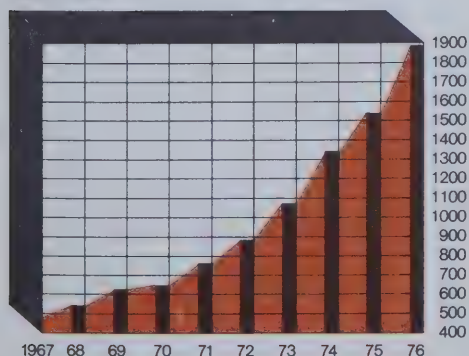
Assets:

Current assets	\$ 884,496,000	\$ 715,453,000
Investments and other assets	43,241,000	36,755,000
Fixed assets, net	310,333,000	298,389,000
	<u>\$1,238,070,000</u>	<u>\$1,050,597,000</u>

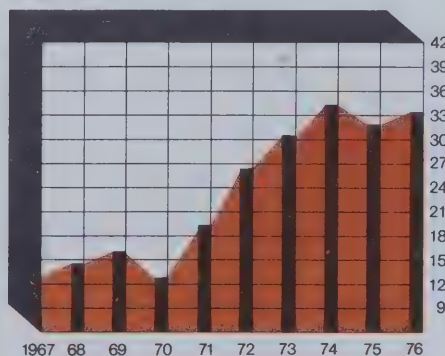
Liabilities and Shareholders' Equity:

Current liabilities	\$ 397,823,000	\$ 283,867,000
Long term debt	457,407,000	402,573,000
Deferred income taxes	20,243,000	19,091,000
	<u>875,473,000</u>	<u>705,531,000</u>
Capital stock	184,749,000	182,355,000
Retained earnings	177,848,000	162,711,000
	<u>\$1,238,070,000</u>	<u>\$1,050,597,000</u>

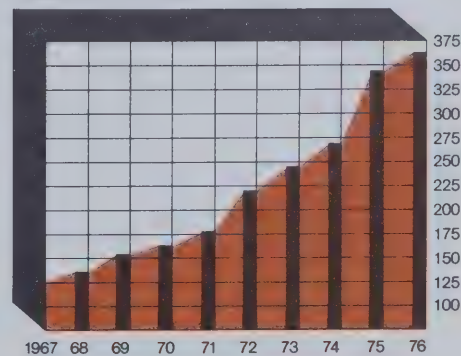
Sales
millions of dollars



Earnings
millions of dollars



Shareholders' Equity
millions of dollars (book value)





Fashionably...Simpsons

The Simpsons touch distinguishes dress for every occasion and activity and complements individual expressions of style.

Emanating from the couturier presence of The Room and La Place Vendome for women; West End and Boutique Seigneur for men, excellence in style and quality influences all fashion departments throughout Simpsons.

Simpsons position in the world of fashion is presented in shows staged with elegance, or for casual viewing. The fashion message in print reaches even vaster audiences, whose response confirms Simpsons as First in Fashion with the buying public.

An abstract artwork consisting of horizontal, wavy stripes. The stripes are in shades of grey, white, orange, and dark red. The stripes are of varying widths and are separated by thin white lines. The overall effect is a rhythmic, undulating pattern.

Downtown
Yorkdale Shopping Centre
Cedarbrae Plaza
Fairview Mall
Sherway Gardens
Shoppers' World – Brampton
Scarborough Town Centre
Hillcrest Mall – Richmond Hill

Downtown
Fairview-Pointe Claire Shopping Centre
Les Galeries d'Anjou
Le Carrefour Laval

Mumford and Chebucto Roads
Micmac Mall – Dartmouth

Downtown

Downtown

Downtown

Devonshire Mall

Fairview Park Mall

Simpsons Contract Division Offices
(14) are located in Vancouver,
Calgary, Edmonton, Regina, Saskatoon,
Winnipeg, Sudbury, London, Toronto,
Ottawa, Montreal, Quebec City,
Fredericton and Halifax.

People Meeting People in the Simpsons Manner

Courtesy and service are watchwords throughout Simpsons 19 great stores and distribution facilities in Canada. Simpsons people are involved, and their enthusiasm is recognized in a widespread reputation for unsurpassed customer relations.

Staff involvement in the company's progress is very real through the Profit Sharing Plan instituted in 1919. Continuous upgrading has retained personnel benefit leadership with the 1976 Simpsons Pension Plan and Profit Sharing Stock Purchase Plan.

Staff conferences, management development programs, suggestion awards, Courtesy Club and 25-Year Club cultivate constant awareness of positive attitudes through every phase of company operations.

Simpsons not only sells merchandise. Simpsons Guarantee: Satisfaction or Money Refunded, involves a commitment to customer satisfaction in every transaction. The company's standards of fair dealing and forthrightness are part of Simpsons tradition, and everyday policy.

Simpsons is known as a good corporate citizen in each community, through sponsorship of cultural endeavours, participation—as a company, and as individuals—in public service, and in support of worthwhile causes.

Simpsons helps make our cities good places to live, and work, and prosper.

SO MUCH TO BUILD ON...FOR EVEN
GREATER ATTAINMENTS, SO THAT
MORE THAN EVER, WE CAN SAY,
YOU'LL ENJOY SHOPPING AT
SIMPSONS.





Simpsons

Elizabeth Arden

Estée Lauder

The logo for Simpson's is written in a white, cursive script. The 'S' is large and loops around the 'i'. The 'p' has a long, thin tail that extends downwards. The 's' is also cursive and flows into the 'o'. The 'n' is simple and rounded. The 's' at the end is also cursive and loops around the 'o'. The logo is centered within a red, wavy horizontal band.

Simpsons

104 years of serving Canadians